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SPEECH

BY

SAMUEL SMITH, Esq., M.P.,

IN THE HOUSE OF COMMONS.

June 4th, 1889.

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AND AT
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SPEECH IN THE HOUSE OF COMMONS,

June 4th, 1889.

Mr. SAMUEL SMITH: Mr. Speaker, Sir—I rise to second the motion of my right honourable friend (Mr. Chaplin), and I think I may congratulate the House of Commons upon the clear, the luminous, and the comprehensive manner in which he has dealt with a very large and a very difficult subject. (Hear, hear.) Perhaps the House will allow me to say that I am no new convert to the doctrine of bimetallism. It is as long ago as the year 1876 that I was led to give my adhesion to what is generally called the bimetallic theory. I was educated on this question by means of my connection with the cotton trade of Lancashire, and as a merchant dealing with India. I was brought into contact with the suffering and the misery of a large mass of our people, caused by the heavy fall in the rate of exchange, and by the great check given to the industries of Lancashire. I was led in the course of my studies to perceive clearly that the rupture of the bimetallic system of France was the chief and radical source of all the sufferings and confusion that ensued. I propose to-night to deal with this matter mainly from the commercial and the industrial point of view, and to set before the House my view, as a business man closely

connected with the great trade of Lancashire, why it is most desirable that we should take part with other nations to re-establish the state of things under which our commerce flourished up to the year 1873. Now, the first proposition that I wish to lay before the House is this—that grave injury was done to this country by the destruction of the old par of exchange between gold and silver. I say "the old par of exchange" because it is altogether undoubted that for the seventy years during which the French system lasted, we had practically a fixed par of exchange. Gold and silver exchanged against one another at $15\frac{1}{2}$ to 1 with almost infinitesimal fluctuations, the highest and the lowest ratios during that long period in the London market being about 15·30 on the one side, and 15·80 on the other side, to 1 of gold. Now, let me mention for the edification of those gentlemen, some of whom I see beside me, who are of opinion that the relations between the two metals were wholly decided by natural laws, and that artificial law was totally incompetent to influence them; let me point out to those gentlemen that during the long period when there was this fixity of value between gold and silver, the yield of the two metals fluctuated in the most surprising manner. We had at one time a yield of gold of two millions a year, at another time of thirty millions a year. We had a yield of silver at one time of three millions a year, at another time of eighteen millions a year. We had at one time a yield of silver three times the value of gold, and at another time a yield of gold three times the value of silver. We had, in fact, the conjunction of every circumstance which could naturally be expected to destroy the legal ratio. Yet the legal ratio existed in spite of all these fluctuations, to the enormous advantage of the world. We had, Mr. Speaker, what I will venture to call identical money in the world of commerce; we had, broadly, one standard throughout the whole world. Gold and silver were tied

together at a fixed ratio. It was a matter of enormous importance to a country like this, with commercial relations over the whole world, and especially with the silver-using countries, to have uniform money. It mattered nothing whether our merchants sold their goods for dollars, or rupees, or taels, or francs; they always got back the same money. They had only to send their silver across to Paris to get a certain weight of gold, and it mattered nothing to the merchant whether he sold his goods for gold or silver. Let me point out to this House another advantage. A great part of the wealth of England has been amassed by the investment of superfluous capital in the silver-using countries. The silver-using countries of the world are poor countries; they are the undeveloped countries, they are the countries that require capital. England again is the great owner of capital; she is the great lending country. In the course of legitimate trade the superfluous wealth of England ought to go to develope and open up the poor countries of the world. Let me point out this—the poor countries of the world are mainly silver-using countries. They are only able to offer silver loans, with interest in silver. Down to the year 1873 English capital went as freely to the silver-using countries as to the gold-using countries, and it accepted interest in silver with as much safety as interest in gold. By means of that the great railway system of India was constructed, and a vast number of other industries were built up in silver-using countries. Now, all this has been checked since 1873. No longer was it safe for a capitalist in England to lend to silver-using countries, with the interest to be paid in silver. No longer was it safe for silver-using countries to borrow, with interest to be paid in gold. If I were to use a simile, the railway guage became broader in some places than in others, and in place of having one guage for the traffic of the whole world, there were two guages: there was an interruption at

the point where gold and silver met, which caused an immense disturbance to trade. The banks no longer could safely invest their funds in silver-using countries. The time was when the India banks and the China banks lent out large sums of money in India and China, payable in silver; that they can do no longer, and you have the phenomenon that in Calcutta interest was recently 12 per cent., while in London it was 2 per cent. Yet the bankers in London dare not avail of this, because they never knew how soon a fall in the exchange might sweep away all their profit and turn it into a loss. An immense difficulty thus has arisen in making railways with capital, lent by this country with interest payable in silver No capitalist now would venture to make such a contract. On the other hand, India and China, countries which ought to spend unlimited sums in opening up communications, are virtually cut off from borrowing from the gold-using countries. The fact is, an immense disturbance has occurred to the great stream of wholesome trade that took place between England and the silver-using countries of the world. But I do attach the most importance of all to the argument which my right honourable friend has already elaborated. I refer to the injury inflicted on debtors by the appreciation of the gold standard. After studying this question for several years in all its phases, I am more and more convinced that the greatest of all injuries to the gold-using countries has been the appreciation of the gold standard in consequence of the demonetisation of silver over a large area, and a corresponding fall in the relative value of the silver standard. Now, I know there are some who deny that there is any appreciation of the gold standard—I will not therefore say "appreciation;" I will call it instead "increase of purchasing power." Now, nobody can deny that the gold standards of the world have an immense increase of purchasing power as compared with the period prior to 1873. That is a point no one will contest. The average fall of prices is 30 per cent.

as compared with 1873; at one time it was 35 per cent.—at the lowest depth—but we have slightly recovered since, and I think I may fairly now put it at 30 per cent. The meaning of that is this—a fall of 30 per cent. in prices means an increase in the purchasing power of gold of about 43 per cent. Let the House realise this. I will quote a Cobden Club pamphlet in support of my statement. The Cobden Club writes as follows in the present year: "To obtain a pound sterling in 1873 a quantity in other commodities had to be given for it, which may be represented by the figure 100. In 1889, owing to the fall in prices, the quantity to be given in exchange is, say, 145." I call it 143, in order to correspond with the 30 per cent. fall of prices. If anyone will take the trouble to make the calculation, he will find that commodities then worth £100 can now be bought for £70. That means the £100 possesses 43 per cent. more purchasing power—it will exchange for 143 of those commodities. Now, the House is aware of the intolerable depression felt in all branches of trade in England during the time that this fall was taking place. This fall went on almost without interruption, from 1873 to 1886-87. We are all familiar with it; and it would be a mere waste of time for me to go over this ground again. But there are some persons who hold that the masses are gainers by this great fall, and therefore I wish to call attention to the evidence of Mr. Fielden, of Manchester, who is one of the best authorities upon all questions relating to the working classes. His opinion was that the loss to the working classes of the United Kingdom, through the fall of wages and irregularity of employment and total loss of occupation, amounted to no less than 85 millions sterling annually. That was his estimate at the worst point of depreciation, about 1886 and 1887. All that he computed that the working classes gained in cheaper commodities was 40 millions, leaving them annual losers to the extent of 45 millions. The great trade societies were nearly on the point of

bankruptcy at the end of 1886. Their funds were exhausted, and they had to support a larger number of men out of work than had ever been known before in their history; but trade began to improve in 1887. No doubt it has improved—I am very glad that it has—very materially, but I hold this: that, but for this demonetisation of silver and the corresponding appreciation of gold, the crisis would have come to an end many years sooner, and several years of suffering would have been saved to the people of this country. (Hear, hear.) Now, the right hon. gentleman opposite has pointed out the great loss to this country, the industrial class of this country, by the rise in the weight of the fixed charges. Let me say to the House, that I have paid some attention for some years past to this subject of the amount of fixed payments under which the industry of this country is carried on, and the more I examine it the larger those payments seem to grow. We have, for instance, interest on the National Debt, local and municipal debt, railway bonds, preference shares, mortgages on land, on house property, on factories and ships, and industrial plant; then we have ground rents, royalties on mines, annuities, pensions, and life interests. Now, I am greatly mistaken if the total of these charges comes to little, if at all, short of *two hundred million pounds sterling annually*. For the most part they run for long periods of time; some of them are perpetuities. And so the process of adjustment is very slow. Now, £200,000,000 sterling, if taken at 25 years' purchase and capitalised, represents £5,000,000,000. Let me point out that the interest on this enormous amount of fixed charges is ultimately paid out of the products of industry—that is the sole fund out of which ultimately all interest is paid. As £100 will now purchase 143 of commodities as compared with what it would have done in 1873, it amounts to this: 43 per cent. more of the products of the industry of this country have to be surrendered to the holders of these fixed charges. That is a

most weighty consideration—43 per cent. of the wheat of the country, of the cloth of the country, of the coal and iron of the country, of all the products of the country, have to pass out of the hands of the hard-working, toiling classes, into the hands of the money-lending, rent-receiving, mortgage-holding classes—(hear, hear)—what I may call the idle, non-working capitalist class. That is the final effect of this very heavy fall in prices, and I commend it to my hon. friend in front of me (Mr. Maclean), who in a short time will have to meet those arguments. The great authority of Mr. Giffen may be quoted. Mr. Giffen states that: "Appreciation is a most serious matter to those who have debts to pay—it prevents them gaining by the development of industry as they would otherwise gain; there may be compensation in different directions, as by the lowering of the rate of interest which seems to take place as the result of appreciation; but, on the whole, the balance is against the debtor, as compared with what it would be if there were no appreciation." That is the testimony of Mr. Giffen, who, as you all know, is an opponent of the bimetallic theory. Now, as it is more difficult perhaps to comprehend a question of this kind when we are dealing with hundreds of millions than it is when you are dealing with smaller figures, will the House permit me to give one instance out of many of those which have come under my own notice in Lancashire during the last few years. We will suppose in the year 1873 a capitalist built a cotton mill for £50,000, £20,000 of which was his own capital, and £30,000 on mortgage. That is something like what usually takes place—the amount borrowed is usually rather more than half the capital supplied. Very well. The property is depreciated 30 per cent.—that is the average depreciation of property since 1873. What is the effect of that? His mill is now worth only £35,000. His borrowed capital is £30,000, and his own capital of £20,000 has, therefore, shrunk to

£5,000. There are tens of thousands of cases of that kind in this country in the last fifteen years. There are multitudes of cases where the mortgagee has become the owner of the property; in fact, the result of this depression has been to transfer a large part of the industrial plant of the country to the money-lending interest. Take another instance: take the case of a large land-owner, whose gross income was £10,000 a year in 1873, subject to claims of various kinds amounting to £5,000 a year, leaving him £5,000 a year of net income; but his rents have gone down 30 per cent., and his net income now is diminished from £5,000 to only £2,000 a year. Indeed there are multitudes of cases where the net income is swallowed up entirely by the fall of rent, combined with the maintenance of the old scale of charges. The same thing has happened in all gold-using countries. It is not confined to England. It holds equally in France, it holds equally in Germany. I have looked into the scale of mortgages in those countries, and I believe at the present time more than half the land of France, and more than half the land of Germany, belongs to the mortgagees; and, I believe, three-quarters of the land of Ireland. I believe the real reason why the Irish Land Act of 1881 has been a comparative failure was the appreciation of the gold standard, and the very heavy fall in prices which destroyed the judicial character of the rents, and required the House to amend it. But for that appreciation of gold, and the corresponding fall of prices, we would have escaped one-half of the Irish agrarian troubles of the last ten years. I believe one-half of all the troubles of Egypt have arisen from the same cause. The debts were borrowed in Egypt several years ago, when prices were very high, and, in consequence of the fall in prices, they have had to pay virtually a half more. I have not a doubt that the sufferings of the Egyptian people, in order to meet the claims of the bond-holders, largely arose from this cause, namely,

the appreciation of gold, which quite falsified the basis on which those debts were contracted. (Hear, hear.) I venture to state that much of the socialism that has arisen in Europe during the last fifteen years is attributable to this cause. We have seen a contemporaneous growth of socialism along with the commercial distress arising from the appreciation of gold. I venture also to state that the protective tariffs which have been imposed of late years in most gold-using countries except England, arise from very much the same cause. Everyone knows that in France, in Germany, and in Italy, the tariff has been increased in the last fifteen years. The reason for that is obvious. They have been suffering acutely, and as their producing classes have been exposed to increased competition and falling prices, they have persisted in putting on higher and higher tariffs. My belief is that the general effect of the demonetisation of silver has been a return to a more protective policy throughout the world than existed before. My belief is that if we had never had the demonetisation of silver at all, we would have had much freer trade with the world than we have at present. (Hear, hear.) Now, Mr. Speaker, let me ask what the opinion of all the best economists is as to the advantage to a country of a depreciating compared with an appreciating standard. I say all the best economists hold that it is much better for the real interests of a country that the standard money should depreciate rather than appreciate. Jevons is one of the very best authorities on all currency questions. (Hear, hear.) Well, Jevons says: "I cannot but agree with MacCulloch that, putting out of sight individual cases of hardship, if such exist, a fall in the value of gold must have, and, as I should say, has already a most powerfully beneficial effect. It loosens the country, as nothing else could, from its old bonds of debt and habit. It throws increased rewards before all who are making and acquiring wealth, somewhat at the expense of those who are

enjoying acquired wealth. It excites the active and skilful classes of the community to new exertions, and is, to some extent, like a discharge from his debts is to the bankrupt long struggling against his burdens. All this is effected without a breach of national good faith, which nothing could compensate." That opinion was given during the influence of the gold discoveries of Australia and California. Mr. Jevons pointed out the great advantage to the community of a depreciating standard; but since that time a reverse has taken place, and we are suffering from the evils of an appreciating standard. Now, our opponents meet us very generally by saying that we want dear prices, and they say the only thing the country requires is cheap prices. I do believe that cry is very much exaggerated. There are ways of getting cheap prices which cannot be defended. Cheapness of price produced by contracting the currency is purely evil. (Hear, hear.) I will point to one instance. After the great Napoleonic wars, in which this country had contracted a gigantic debt, which the right honourable gentleman the member for Midlothian (Mr. Gladstone) estimated, I believe, not long ago to represent about one-third of the entire capital of the country—that debt of £900,000,000 was contracted in a depreciated standard at a time of very high prices. We afterwards adopted a sole gold standard in this country. A prodigious fall of prices occurred. Prices fell 55 per cent. between the year 1810 and the year 1849, and the meaning of that was the burden of the National Debt was doubled; the £900,000,000 became as heavy a burden as £1,800,000,000 would have been at the old scale of prices. To pay the interest of that debt twice as much of the produce of British industry had to be sold as was the case at the higher standard. The same applied, of course, to all the other debts of the country. The effect of this prodigious fall of prices after 1810 was really to confiscate a great portion of the property of the industrial classes of this country

for the benefit of financiers, of the fund-holders, and the bond-holders. That was the real effect. We never had a period of greater misery amongst all classes of the people than in the period between 1815 and 1849, and the misery was always greatest when the prices were lowest. Then, the House knows there was an entire swing of the pendulum. We had the gold discoveries in Australia and California. We had 25 years of rising prices. I ask the House, was there ever a time when there was such general prosperity in this country as during that period of high prices? Prices rose 40 per cent. between the year 1849 and the year 1873, but wages rose far more than 40 per cent. The average earnings of the working classes rose about 75 per cent. I suppose the profits of capital were never so large in this country. I want to know who suffered—none suffered—except the holders of fixed charges? No doubt they suffered—the bond-holder and mortgagee and the pensionnaire, and all that class of people—no one else but them suffered; but the vast bulk of the people—95 per cent. of the people—were undoubtedly gainers by the depreciation of the standard that took place between 1849 and 1873. Now, I say that for us to remonetise silver now is to repeat in a smaller degree the effect of the gold discoveries, it is to prevent the constant wearing-out effect of an appreciating standard. But some will tell me, and I know this is an argument that will be used, England is a creditor of foreign nations; England has a large amount due annually, and, therefore, it is to her interest to appreciate gold, which means to enlarge the payments due to her. Let me deal with this for one moment. It is quite true that England receives on an average about £100,000,000 sterling annually as a surplus of imports over exports, but a small part of that one hundred millions is in payment of gold interest; much the larger part of that surplus is payment for freights, which amount, I suppose, to £50,000,000 annu-

ally. Another large portion comes from industrial enterprises, such as mines, tea and coffee plantations, and fifty other things, the interest upon which will come all the same whether the currency was gold or silver. The amount of gold interest is a limited sum, and it is balanced by a very considerable amount of silver interest—(hear, hear)—and when one is deducted from the other, I question whether out of that £100,000,000 sterling annually which England receives from abroad, more than £25,000,000 can properly be reckoned as gold interest, and that £25,000,000, or whatever it may be, wholly goes into the pockets of a very small class—it is a gain to a very small class, probably not more than 1 per cent. of the whole population. Now I am going to deal with one of the objections to the theories I have just stated. It is alleged by many that there cannot be an appreciation of gold because the rate of interest has been very low. That objection was laboured very greatly before the Royal Commission by certain London witnesses. I am quite sure I may appeal to the Chancellor of the Exchequer whether of all arguments it is not one of the emptiest and hollowest to say that there can be no appreciation of gold because the rate of interest has been very low. The fact is that it is just the opposite. (Hear, hear.) Nothing is more conclusively proved from all currency history than that a period of rising prices usually goes along with high interest—(hear, hear);—and that a period of falling prices goes along with low interest; because, of course, no one would invest in industrial enterprises more than he could help. Speculation is restrained and discouraged; money, so to speak, is a drug, to use the language of the market. Compare, for instance, the period between 1850 and 1873, when gold was flowing into the world in an immense mass. Compare the rate of interest then with the rate of interest which has since prevailed. We had a much higher rate of interest during the period of the large gold discoveries than

we have had since. Surely that conclusively proves that the amount of gold has nothing whatever to do with the rate of interest except this, that when prices are rising trade is active and interest is always higher, when prices are falling interest is always lower. Were we to close up all the gold mines in the world for 100 years, and the prices were to fall 50 per cent., I venture to make the prediction that the rate of interest would be lower in this country than ever was known before. Another of the objections made to our theory about appreciation, which has been laboured very much by my right hon. friend the member for Leeds (Sir Lyon Playfair), is, that the great fall in prices was purely owing to economies in production, to cheap transit, and to inventions. Now, the reply to that is, we had all those economies and inventions in as active operation before 1873 as since 1873.

An HON. MEMBER: Nothing like it.

Mr. SAMUEL SMITH: My hon. friend says "Nothing like it." Well, I would venture to differ from him. I say the period between 1850 and 1873 was the great period of discovery; it was a period in which the steamboat, the railway, and the telegraph all came into operation, and, according to all natural causes, prices ought to have fallen. In place of that prices rose to about 40 per cent., and there is no explanation that can be given except that the rise was caused by the gold discoveries and depreciation of the standard, while the fall which has since occurred is the result of the opposite process. (Hear, hear.) It applies quite as much to real estate; the fall has been as great in land and house property, and all other kinds of property, as it is in commodities at large. If we had been a silver-using country, should we have had this fall? We should have had no fall at all. The silver-using countries have escaped the fall; they also have had the benefit of these improvements in production; they also have had the

benefit of cheap transit. Why did not prices fall in the silver-using countries? Prices have remained practically stationary in the silver-using countries. If England had been a silver-using country, we should have escaped the fall in prices. No one can deny that if England had been a silver-using country, we should not have had a Royal Commission on Depression in Trade: it would not have been needed. We should have had prices just the same, and trade would have remained quite as active since 1873 as it was before. If England had been a silver-using country, there would have been no enhancement of this tremendous burden of £200,000,000 sterling of fixed charges. Think of the difference that that would have made to this country! If England had had a silver standard, the result would practically have been that the debtor class would not have been mulcted by the creditor class by some £80,000,000 sterling annually, or whatever the amount is, as is now the case. That is an extra tax which is imposed on the debtor class of England in consequence of the appreciation of gold; surely this is a very serious question. Now, the next objection I would deal with is that there is no scarcity of gold. We are told that gold is just as abundant as ever it was; consequently it is impossible that there can have been any appreciation. I say there never will be a scarcity of gold in the strict sense of the word. Prices will adjust themselves correspondingly. ("No, no.") Yes, they will adjust themselves, and if we shut up the gold mines for a hundred years, there will be no scarcity of gold; but, with the prices 50 per cent. lower, and all those fixed charges which I venture to put at £200,000,000, doubled in weight, the industrial classes will be in fact ruined. That will be the effect. I do not know whether that will satisfy my hon. friends around me, who still seem to think that cheap prices are the sole panacea for all evils. Then we are told that the forms of credit have multiplied, and that we could dispense

with gold, or at any rate that we require it much less than before. I will simply make this statement—that it is the metallic basis on which credit rests that determines the scale of prices. (Hear, hear.) But there is one most weighty argument which I shall lay before the House, and it is one which we in Lancashire feel most keenly. I assert, without fear of contradiction, that since 1873 we have given an immense stimulus to the competing industries of India as against our own. Let me tell the House what the rate of increase has been in Lancashire in regard to the cotton trade. In India the increase in cotton spindles in the ten years ending 1887 is 105 per cent.; the increase in looms 91 per cent. The increase in Lancashire in the ten years ending 1885 was only 7 per cent. in spindles, and 21 per cent. in looms. There is one very large branch of trade, the export of cotton yarn to China and Japan, which has almost been wrested from Lancashire. Within the last ten years the exports from India to China and Japan have increased three-fold over the exports from Lancashire. That is a change that has taken place in the last ten years, and that change is going on every year. These are undoubted facts, and I attach enormous value to them. Anyone can see the reason why this is so. Anyone who reflects for five minutes will see that the reason is that those enormous burdens I have spoken about are always growing heavier in England, but they are growing lighter in India. Just let me give an illustration how it acts—it happens every day. Two men start a cotton mill, one in Lancashire and the other in India. We shall suppose that the start was made before the fall of silver, about 1873, when the rate of exchange was practically 2s. to the rupee. Each of them possessed a capital of £20,000; each of them built a cotton mill costing £50,000, the one in Lancashire and the other in India. The one in Lancashire took a mortgage of £30,000 with interest at 5 per cent. payable in gold, and the

other got a mortgage of £30,000 payable in silver in India. Supposing they both started together in 1873, how would they stand now? The man in India has had good trade all the time, and no exchange difficulties, no increase of burdens, no quarrels with his workmen. But the man in Lancashire has had to encounter twelve years' continual fall in prices, and either loss, or scarcely any profits, every year. The man in Lancashire would have had to pay £1,500 annually, payable in gold, upon his mortgage. The man in India has got the same amount payable in silver, the value of which is continually diminishing; so that to-day the one man pays £1,500 in gold; the other pays as much silver as is equal to £1,000 in gold, and yet the two mortgages were equal in 1873, and the interest was equal; but now that the rupee is only worth one shilling and fourpence instead of two shillings, the weight upon the Indian manufacturer is one-third less than it is in Lancashire. One more point in the comparison between gold and silver. I have shown that the Indian manufacturer benefits by the lightening of burdens, just as the Lancashire manufacturer suffers from their enhancement. Now let us look at the effect with respect to the mortgages. The Lancashire manufacturer has a property which has depreciated 30 per cent. His mill is only worth £35,000, although it was at first worth £50,000; but he has a mortgage still of £30,000; his own capital has been reduced to £5,000. The man in India has sustained no loss since 1873. His whole capital remains intact. He has all the benefit arising from having to make his payments in silver in lieu of gold. Anyone can see at a glance the enormous bonus the one man has against the other, and the reason why is evident. The same thing is happening with reference to the jute trade, which is leaving Scotland and going to the Valley of the Ganges. It will always be the same wherever we have competing together a silver-using country and a gold-using country. You will find

that the gold-using country is handicapped with a growing weight, and that the silver-using country is buoyant and light. I have no manner of doubt in my own mind that if this question is not settled, and if the rupee in ten years falls to a shilling, that you will see such a transfer of our manufacturing industries to India as very few persons contemplate at present. It is hopeless for our manufacturers to compete against such enormous odds, as they have in the case that I am assuming. I do not want to do an injustice to India. I simply want fair play. (Hear, hear.) We all want fair play. We do not begrudge India her rights. All we say is, we ought not to load the dice against ourselves. But bear in mind that every decline in exchange imposes on the Indian Government the necessity of levying additional taxation. The salt tax in India was raised to a most exorbitant rate to make up for this loss by exchange, and year by year, as the rate of exchange goes down, so the Indian Government is in an increasing dilemma, and must add more and more to harsh and tyrannical taxation. So I say, when you put everything into the scale, India as a whole is no gainer by the process—we are losers, and India is no gainer. Some will meet me with the objection that trade now is good upon the whole. I grant that upon the whole it is pretty good. Then they will say, "If matters have settled down, why should we unsettle them again?" I reply, we are not yet upon a stable basis; we have reached no permanent stage on this question. If we had reached a permanent stage there might be a good deal said, perhaps, for letting things alone; but unfortunately we are upon an inclined plane; we are sliding down from stage to stage, and although we have had several resting places since 1873 (we have had recently a temporary pause in the downward progress) I see no reason whatever why the history of the last fifteen years should not be repeated in the next fifteen years unless the nations of the world agree to cure the source of the

evil. Unless the nations of the world agree to remonetise silver, there is no alternative but continued demonetisation. There ought to be an international arrangement with the object of re-establishing silver. Unless this is done, one country after another is sure to go in the direction of demonetisation, and the first great country, I believe, will be America. The first great step in the downward process will be the repeal of the Bland Act. She has had that Act for several years, and so she, to a large extent, has aided in holding up the price of silver. But the Bland Act was only adopted in America as a temporary expedient. (Hear, hear.) It was only intended to bridge over the time when an agreement could be arrived at amongst leading nations to remonetise silver. The Bland Act could not have been carried on any other understanding. It never would have been carried except under the belief that the nations of Europe in their own interest would agree to remonetise silver. All the efforts of the United States to bring about an agreement failed. The United States and France have twice made the attempt; they have twice offered to join in an international arrangement and to open their mints to a free coinage of silver, but all their attempts have failed. I cannot doubt that before long a very strong movement will arise in America for repealing the Bland Act, and if that succeeds we shall have a great cataclysm; we shall have all the miseries repeated in this country which we had between 1876 and 1886. All other silver-using countries will follow the example of Germany and adopt a gold standard. Austria and Russia are both talking of reverting to specie payments, and they will do so in gold when they are able to do it unless we have this international arrangement to re-establish silver. If we have this international arrangement to re-establish silver, no doubt Russia and Austria and all silver-using countries will join in the arrangement, and remonetise on the

bimetallic basis, and not upon the gold basis. At last this country will be driven step by step, and however much it may resist, it will find it cannot help it—it will ultimately be driven to give India a gold currency. The intolerable loss to the Indian Government from these fluctuations will become so great that bankruptcy may seem to be imminent, and silver will become so totally unstable as a standard of value that there will be no alternative except giving India a gold standard, and when that happens silver will become finally degraded. It will never again be remonetised as a standard metal when India adopts a gold currency. You might name any price you choose for silver, it will be a degraded metal; it will sink to the position of tin or iron; it will no longer be standard money, and the world as a whole will be thrown upon gold alone; and if the world as a whole is thrown upon gold alone, you will certainly have another prodigious fall in prices in all gold-using countries. You will have a prodigious aggravation of all the evils we have pointed out; all these fixed payments will become immensely heavier than they were before; you will give a great impetus to socialism and disorder of all kinds, and no one will be able to say what the consequences of such a madcap policy will be in Europe. Let me remind the House of a few weighty words spoken by the present Chancellor of the Exchequer. I wish to call the attention of the Chancellor of the Exchequer to his own words spoken ten years ago—prophetic words I think I may call them. At the Conference in Paris, in 1878, the Chancellor of the Exchequer said: "I believe that it would be a great misfortune if a propaganda against silver should succeed, and I protest against the theory according to which this metal must be excluded from the monetary systems of the world; a campaign against silver would be extremely dangerous even for countries with a gold standard." Those are the words of the Chancellor of the

Exchequer—and I ask him to do something to prevent his prediction from becoming true. His words are undoubtedly becoming true. At the time he spoke those words no person living then thought that the price of silver could fall as low as it is now. I think silver was 54d. then—at all events it was very much higher than it is to-day. No one dreamt then that silver would fall so low; all the wise men said it was preposterous; the London *Economist* and all our instructors in London told us so. It was 54d.; it is now 42d. Why should it not fall still further? Why should it not fall 30d. during the next ten or twenty years? I see no reason, and no one can assign a reason why it should not unless we go back to remonetisation. It is generally believed by our opponents that legislation cannot maintain the ratio. They say that all the facts are against the ratio, but we say they are all in favour of it. The ratio remained during the last century at nearly 15 to 1, and during this century the ratio of $15\frac{1}{2}$ to 1 was maintained, I may say, with perfect ease during the seventy years that it was extant. Can anyone believe that, if the four great commercial powers were agreed together upon the fixed ratio, they would not be able to maintain it now? I quite admit that there was occasionally a slight premium on gold when France alone was bimetallic. The reason of that is simply this. France lay between two competing systems—a silver system on the one side and a gold system on the other—and at one time a vast sum in silver was being sent to France, and at another time a vast amount of gold. If we had had a general bimetallic arrangement, even these slight variations would have been avoided. Many think that if we were to adopt a bimetallic system gold would disappear and leave this country. I believe that is a perfect delusion. The four great States that would compose the Union hold £600,000,000 sterling in gold. Where would the gold go to? Has anyone been able to guess where the gold would go

to? There is no place where it is largely wanted besides these four great nations. It is held by nations in whose favour there is a large balance of trade, and there is no possibility of the poorer countries of the world draining away the gold from the proposed international area. I feel that I am detaining the House too long, and I will bring my remarks very speedily to an end. I assert that the Royal Commission states unanimously and most clearly that it is in the power of a combination of nations to tie together gold and silver. That opinion has been arrived at by men who have approached the subject for the most part with a strong prejudice to the contrary—(hear, hear),—who with the greatest reluctance accepted it, and nothing but an exhaustive study of the facts convinced them. We say that it is not a new thing that we are seeking; it is an old thing. We wish to go back to what I may almost say has been an immemorial practice, namely, to use both gold and silver; it is a case of *quod semper, quod ubique, quod ab omnibus;* we wish to go back to what has been the rule of Christendom in former ages. We do not look with the smallest degree of complacence upon any of those currency schemes which are identified with soft money. We stand on hard money, upon the money of the world that has existed from the earliest ages. As to the ratio, we leave that to the Conference. It is not a subject which any nation can deal with alone. (Hear, hear.) I do not know why my right hon. friend should cheer that. I think it shows that we approach the matter with an open mind. I, for one, have no particular desire to go back to the old ratio. I quite admit it would be very difficult to do so. I allow that a great many contracts have been made during the last fifteen years which would have to be dealt with, though I cannot forget the prodigious contracts that were made upon the old ratio; I cannot forget also that £4,000,000,000 sterling of national debts were borrowed upon that ratio, and I believe in strict justice we

would be acting more honestly by going back to the old ratio than by adopting any other even now; but I admit there are great difficulties, and I, for my own part, would put up with some inconvenience, and would be content with an intermediate ratio. I think that is entirely a matter for the International Conference. I do not think we ought to bind ourselves to any particular view of the subject, but should be prepared to accept whatever ratio the Conference might determine. The House must remember that whatever ratio was agreed to by the International Conference, it would be subject to the approval of Parliament. We are merely asking you to go into the Conference keeping our hands free. We do not bind you beforehand to an absolute decision. Whatever decision may be come to, it would be subject to the approval of the various parliaments concerned. Now, Mr. Speaker, I will say in conclusion that this subject is surrounded, I well know, with great difficulties; but the end we aim at is one of immense importance both to this country and to the world at large. I feel that its consideration will well repay the time and attention of Parliament; it cannot be shirked any longer. It is one of the burning questions of the day, and I trust it will be discussed with impartiality and with a sincere desire for truth, and that it will not be engulfed in the muddy stream of party politics. I thank the House for the attention it has given me. (Cheers.)

BIMETALLIC LEAGUE.

"The object of the League is to urge upon the British Government the necessity of co-operating with other leading Nations for the establishment, by International agreement, of the free coinage of Gold and Silver, at a fixed ratio."

President.

HENRY H. GIBBS.

Chairman of General Council.

H. R. GRENFELL.

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The Marquis of Abergavenny, K.G.
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Ernest Noel.
T. O'Hanlon, M.P.
Edward Howley Palmer.
Herbert B. Praed.
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Lord Rendlesham.
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H. Seton-Karr, M.P.
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Samuel Smith, M.P.
Lord Suffield, K.C.B.
J. E. Spencer, M.P.
Mark J. Stewart, M.P.
Thomas Sutherland, M.P.
Capt. C. W. Selwyn, M.P.
T. K. Tapling, M.P.
Sir Rivers Thompson, K.C.S.I.
W. E. M. Tomlinson, M.P.
C. E. Howard Vincent, C.B., M.P.
Viscount Valentia.
Professor Robert Wallace.
Edmund Waller.
Colonel Cornwallis West, M.P.
Stephen Williamson, M.P.
The Marquis of Winchester.
Col. Mildmay Wilson.
R. Grant Webster, M.P.
Sir George O. Wombwell, Bart.
Thomas Wright.
George Wyndham.
The Earl of Yarborough.

STATEMENT.

UNTIL the year 1873 the ratio at which Gold and Silver were interchangeable was steady, because the Mints of France and other European countries were open to all the world for the unlimited coinage of both metals on the fixed basis of 15½ Silver to 1 of Gold.

* It may be stated generally that during the last century the national unit of coinage which constituted the standard of value in the principal countries practically rested on both metals, silver being usually the nominal standard with gold rated to it, at the discretion of each Government.

In the United Kingdom, from 1717 to 1816, this system prevailed, the ratio of gold to silver having been fixed at 1 to 15·21.

In the United States of America the double standard was originally adopted in 1786 with a ratio of 1 to 15·25; changed in 1792 to 1 to 15, and in 1834 to 1 to 16.

In 1803 the double standard, with a ratio of 15½ to 1, was definitively adopted by France, and in 1865 the formation of the Latin Union, ultimately consisting of France, Italy, Belgium, Switzerland, and Greece, extended and confirmed it.

Owing to this, the par of exchange between Gold and Silver Standard countries kept practically uniform, and Silver, as fully as Gold, performed the functions of money throughout the world.

The action of England in 1816, in adopting the single Gold Standard, did not disturb the steadiness of the ratio between the two metals, so long as the Continental Mints remained open to Silver; but when Germany in 1873 decided to adopt the single

* This and the following paragraphs are from the NOTE appended to the Final Report of the Royal Commission on Gold and Silver, by the Right Hon. Sir Louis Mallet, C.B., one of the Royal Commissioners.

Gold Standard the old equilibrium was destroyed, because France and the other Bimetallic countries, in view of the heavy sales of Silver made by Germany, suspended their free coinage.

This action caused the price of silver, as quoted in Gold, to fall, and it has since fluctuated violently, affecting all international exchanges between Silver Standard and Gold Standard countries. In the case of India the Rupee, formerly worth about 2s., has gradually dropped below 1s. 5d. in English money, with increasing uncertainty as to its prospective exchangeable value as against Gold.

The substitution of Gold for Silver, and the greater amount of exchange work that is in consequence thrown upon Gold, has led to the appreciation of that metal, and to a fall in prices of commodities, as measured in Gold, which is everywhere visible, and everywhere baneful in its effects upon commerce, upon manufacturing and agricultural industry, and upon the growth of employment necessary to provide work for our rapidly increasing population.

Convinced of the evils resulting from existing conditions of our Monetary System, and of the hindrance to trade and agriculture, which are largely due to the disturbed relation between Gold and Silver, we appeal to everyone for co-operation in carrying out the objects of the League.

There is every encouragement to press the matter, seeing that the United States of America, France, Germany, and Holland are willing and eager to co-operate.

These Powers, it is known, will not move without England, and under an erroneous conception of the advantages of a single Gold Standard, this country has hitherto stood aloof.

The Final Report of the Royal Commission on Gold and Silver is however of a character so favourable to the Cause of Bimetallism that the question is now thoroughly ripe for settlement.

It is advisable, therefore, that the facts of the case may be made widely known throughout the country, in order to bring the force of public opinion to bear upon Parliament and upon the

Government, so that England, instead of being a barrier in the way of an International convention, may take her due share in the settlement of a question so vital to the well-being of the Empire, so essential to the interests of British and Irish Agriculture, and of commerce everywhere, and to the financial stability of India.

Any further information concerning the League may be obtained from the Secretary, Mr. Henry Mc Niel, F.S.S., Haworth's Buildings, 5, Cross Street, Manchester, who will also acknowledge Subscriptions and Donations.

The League comprises Members and Associates, the Annual Subscription of the former being One Guinea, and the latter 2s. 6d. Cheques to be made payable to the Secretary.

EXTRACTS FROM THE FINAL REPORT OF THE ROYAL COMMISSION ON GOLD AND SILVER, 1888.

PART I.

(*Signed by all the members of the Commission.*)

Sec. 115.—"The Remedy which has been put before us most prominently, and as most likely to remedy the evils complained of to the fullest extent possible, is that known as Bimetallism."

Sec. 190.—"Prior to 1873 the fluctuations in the price of silver were gradual in their character, and ranged within very narrow limits. The maximum variation in 1872 was $\frac{5}{8}$d., and the average not quite $\frac{5}{16}$d., while in 1886 the maximum was $2\frac{9}{16}$d., and the average nearly $1\frac{1}{8}$d. It has not been, and indeed hardly could be, suggested that this difference can be accounted for by changes in the relative production or actual use of the two metals."

Sec. 191.—"The explanation commonly offered of these constant variations in the silver market is that the rise or depression of the price of silver depends upon the briskness or slackness of the demand for the purpose of remittance to silver-using countries, and that the price is largely affected by the amount of the bills sold from time to time by the Secretary of State for India in Council.

"But these causes were, as far as can be seen, operating prior to 1873, as well as subsequent to that date, and yet the silver market did not display the sensitiveness to these influences from day to day and month to month which it now does."

Sec. 192.—"These considerations seem to suggest the existence of some steadying influence in former periods, which has now been removed, and which has left the silver market subject to the free influence of causes, the full effect of which was previously kept in check. The question, therefore, forces itself upon us: Is there any other circumstance calculated to affect the relation of silver to gold which distinguishes the latter period from the earlier?

"Now, undoubtedly the date which forms the dividing line between an epoch of approximate fixity in the relative value of gold and silver and one of marked instability, is the year when the bimetallic system which had previously been in force in the Latin Union ceased to be in full operation; and we are irresistibly led to the conclusion that the operation of that system, established as it was in countries the population and commerce of which were considerable, exerted a material influence upon the relative value of the two metals.

"So long as that system was in force we think that, notwithstanding the changes in the production and use of the precious metals, it kept the market price of silver approximately steady at the ratio fixed by law between them, namely $15\frac{1}{2}$ to 1."

Sec. 193.—"Nor does it appear to us *a priori* unreasonable to suppose that the existence in the Latin Union of a bimetallic system with a ratio of $15\frac{1}{2}$ to 1 fixed between the two metals should have been capable of keeping the market price of silver steady at approximately that ratio.

"The view that it could only affect the market price to the extent to which there was a demand for it for currency purposes in the Latin Union, or to which it was actually taken to the mints of those countries is, we think, fallacious.

"The fact that the owner of silver could, in the last resort, take it to those mints and have it converted into coin which would purchase commodities at the ratio of $15\frac{1}{2}$ of silver to one of gold, would, in our opinion, be likely to affect the price of silver in the market generally, whoever the purchaser and for whatever country it was destined. It would enable the seller to stand out for a price approximating to the legal coin, and would tend to keep the market steady at about that point."

PART II.

Signed by six members of the Commission:—

Lord HERSCHELL.	Hon. C. W. FREEMANTLE, C.B.
Sir JOHN LUBBOCK, Bart., M.P.	Sir T. H. FARRER, Bart.
Mr. J. W. BIRCH.	Rt. Hon. LEONARD H. COURTNEY, M.P.

Sec. 9.—"However much opinions may differ as to the extent of the evil arising from the increased difficulty which a fluctuating exchange interposes, we do not think its reality is open to question."

Sec. 101.—"There cannot be two opinions as to the very serious effect which the continued fall in the gold price of silver has had on the finances of the Government of India."

Sec. 102.—"We are fully impressed with a sense of the difficulties which surround the Indian Government, and of the serious questions to which any proposed additional tax must give rise. It is not only the embarrassment which has already been caused to the Government of India that has to be borne in mind, but the impossibility of foreseeing to what extent those embarrassments may be increased and their difficulty augmented by a further depression in the value of silver."

Sec. 107.—"We think that in any conditions fairly to be contemplated in the future, so far as we can forecast them from the experience of the past, a stable ratio might be maintained if the nations we have alluded to* were to accept and strictly adhere to Bimetallism, at the suggested ratio. We think that if in all these countries gold and silver could be freely coined, and thus become exchangeable against commodities at the fixed ratio, the market value of silver as measured by gold would conform to that ratio, and not vary to any material extent."

Sec. 119.—"Apprehensions have been expressed that if a bimetallic system were adopted gold would gradually disappear from circulation. If, however, the arrangement included all the principal commercial nations, we do not think there would be any serious danger of such a result.

"Such a danger, if it existed at all, must be remote. It is said indeed, by some, that if it were to happen, and all nations were to be driven to a system of silver monometallism, the result might be regarded without dissatisfaction.

"We are not prepared to go this length, but at the same time we are fully sensible of the benefits which would accrue from the adoption of a common monetary standard by all the commercial nations of the world, and we are quite alive to the advantage of the adoption by these nations of an uniform Bimetallic Standard as a step in that direction."

PART III.

Signed by the other six members of the Commission:—

Rt. Hon. Sir LOUIS MALLET, C.B.	Sir D. BARBOUR, K.C.S.I.
Rt. Hon. A. J. BALFOUR, M.P.	Sir W. H. HOULDSWORTH, Bart., M.P.
Rt. Hon. HENRY CHAPLIN, M.P.	Mr. SAMUEL MONTAGU, M.P.

Sec. 28.—"We think that the above remarks upon the evils affecting both the United Kingdom and India, if taken in connection with the more detailed statement in Part I. of the Report, will sufficiently indicate our view as to their nature and gravity; and that they are largely due to the currency changes which have taken place in the years immediately preceding and following 1873.

"We think that too much stress cannot be laid upon the novelty of the experiment which has been attempted as the result of the above changes. That experiment consists in the independent and unregulated use of both gold and silver as standards of value by the different nations of the world.

"We are strongly of opinion that both metals must continue to be used as standard money; the results of using them separately and independently since 1873 have been most unsatisfactory, and may be positively disastrous in the future.

"It cannot be questioned that until 1873 gold and silver were always effectively linked by a legal ratio in one or more countries.

"It is equally indisputable that the relative value of the two metals has been subject to greater divergence since 1874 than during the whole of the 200 years preceding that date, notwithstanding the occurrence of variations in their relative production more intense and more prolonged than those which have been experienced in recent years."

* The United Kingdom, Germany, the United States, and the Latin Union.

Sec. 29.—" In 1873-74 the connecting link disappeared, and for the first time the system of rating the two metals ceased to form a subject of legislation in any country in the world.

" The law of supply and demand was for the first time left to operate independently upon the value of each metal; and simultaneously the ratio which had been maintained, with scarcely any perceptible variation, for 200 years, gave place to a marked and rapid divergence in the relative value of gold and silver, which has culminated in a change from 15½ to 1 to 22 to 1."

PROPOSED REMEDY.

Sec. 30.—" It appears to us impossible to attribute the concurrence of these two events to a merely fortuitous coincidence. They must, in our opinion, be regarded as standing to each other in the relation of cause and effect.

" We cannot, therefore, doubt that if the system which prevailed before 1873 were replaced in its integrity, most of the evils which we have above described would be removed; and the remedy which we have to suggest is simply the reversion to a system which existed before the changes above referred to were brought about—a system, namely, under which both metals were freely coined into legal tender money at a fixed ratio over a sufficiently large area.

" The effects of that system, though it was nominally in force only within a limited area, were felt in all commercial countries, whatever their individual systems of currency might be; and the relative value of the two metals in all the markets of the world was practically identical with that fixed by the legislation of the countries forming the Latin Union.

" As regards the possibility of maintaining such a system in the future, we need only refer to the conclusion at which our colleagues have arrived in Sec. 107, Part II. (see above), and with which we entirely agree."

Sec. 34.—" No settlement of the difficulty is, however, in our opinion, possible without international action.

" The remedy which we suggest is essentially international in its character, and its details must be settled in concert with the other Powers concerned.

" It will be sufficient for us to indicate the essential features of the agreement to be arrived at, namely—

(1) Free coinage of both metals into legal tender money; and

(2) The fixing of a ratio at which the coins of either metal shall be available for the payment of all debts at the option of the debtor."

Sec. 35.—" The particular ratio to be adopted is not, in our opinion, a necessary preliminary to the opening of negotiations for the establishment of such an agreement, and can, with other matters of detail, be left for further discussion and settlement between the parties interested.

" We, therefore, submit that the chief commercial nations of the world, such as the United States, Germany, and the States forming the Latin Union, should in the first place be consulted as to their readiness to join with the United Kingdom in a conference, at which India and any of the British Colonies which may desire to attend should be represented, with a view to arrive, if possible, at a common agreement on the basis above indicated."

Sec. 36.—" We have indicated what appears to us to be the only permanent solution of the difficulties arising from the recent changes in the relative value of the precious metals, and the only solution which will protect this and other countries against the risks of the future."

MANCHESTER

" GUARDIAN " PRINTING WORKS, BLACKFRIARS STREET.

1889.

PUBLICATIONS.

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